

**TOWNSHIP OF ST. CHARLES
SAGINAW COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS**

Fiscal Year Ended June 30, 2013

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Barry E. Gaudette, CPA, PC
731 S. Garfield Avenue
Traverse City, Michigan 49686

Independent Auditor's Report

Members of the Township Board
Township of St. Charles
Saginaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, as well as each fiduciary fund type of St. Charles Township, Michigan, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents. We also have audited each fiduciary fund type of St. Charles Township, Michigan, as of and for the year ended June 30, 2013, as displayed in the Township's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, as well as each fiduciary fund type of St. Charles Township, Michigan, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 18 to 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management Discussion and Analysis, that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Barry E. Gaudette, CPA, PC

August 13, 2013

TOWNSHIP OF ST. CHARLES
GOVERNMENT WIDE STATEMENT OF NET POSITION
June 30, 2013

	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Cash and equivalents	\$ 402,428
Restricted cash	2,892
Prepaid insurance	4,396
TOTAL CURRENT ASSETS	<u>409,716</u>
NON-CURRENT ASSETS	
Property and equipment, net of Depreciation	<u>117,260</u>
TOTAL ASSETS	<u>526,976</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	<u>5,842</u>
TOTAL CURRENT LIABILITIES	<u>5,842</u>
NET POSITION	
Invested in capital assets	117,260
Nonspendable for:	
Prepaid insurance	4,396
Restricted:	
Chapel account	2,892
Unassigned	<u>396,586</u>
TOTAL NET POSITION	<u><u>\$ 521,134</u></u>

Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF ST. CHARLES
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
Year ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities
Governmental Activities:					
Legislative	\$ 3,888	\$ 0	\$ 0	\$ 0	\$ (3,888)
General government	141,489	475	0	0	(141,014)
Public safety	7,320	0	0	0	(7,320)
Public works	121,900	69,212	0	0	(52,688)
Community economic development	1,561	0	0	0	(1,561)
Health & welfare	1,031	0	0	0	(1,031)
Culture & recreation	250	0	0	0	(250)
Other	150	0	0	0	(150)
TOTAL	\$ 277,589	\$ 69,687	\$ 0	\$ 0	(207,902)
GENERAL REVENUES					
					97,668
Property taxes & related fees					6,352
Permits					104,954
State shared revenues and grants					804
Unrestricted investments earnings					7,196
Miscellaneous					5,471
Sale of cemetery lots					4,839
Refunds and reimbursements					227,284
TOTAL					
CHANGE IN NET POSITION					19,382
Net position – beginning					501,752
NET POSITION – ENDING					\$ 521,134

The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF ST. CHARLES
GOVERNMENTAL FUNDS BALANCE SHEET
COMBINED BALANCE SHEET
June 30, 2013

	General	Refuse	Total Governmental Funds
ASSETS			
Cash and equivalents	\$ 402,428	\$ 0	\$ 402,428
Restricted cash	2,892	0	2,892
Prepaid insurance	4,396	0	4,396
TOTAL ASSETS	<u>\$ 409,716</u>	<u>\$ 0</u>	<u>\$ 409,716</u>
LIABILITIES			
Accounts payable	\$ 5,842	\$ 0	\$ 5,842
TOTAL LIABILITIES	<u>5,842</u>	<u>0</u>	<u>5,842</u>
FUND BALANCE			
Nonspendable for:			
Prepaid insurance	4,396	0	4,396
Reserved:			
Cemetery Chapel Fund	2,892	0	2,892
Unassigned	396,586	0	396,586
TOTAL FUND EQUITY	<u>403,874</u>	<u>0</u>	<u>403,874</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 409,716</u>	<u>\$ 0</u>	<u>\$ 409,716</u>

The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF ST. CHARLES
RECONCILIATION OF BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2013

Total fund balance – total governmental funds	\$ 403,874
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Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds net of related depreciation	117,260
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NET POSITION OF GOVERNMENTAL ACTIVITIES	<hr/> <u>\$ 521,134</u>
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The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF ST. CHARLES
ALL GOVERNMENTAL FUNDS TYPES
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
Year ended June 30, 2013

	<u>General</u>	<u>Refuse</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes & related fees	\$ 97,668	\$ 0	\$ 97,668
Licenses & permits	6,352	0	6,352
State shared revenues and grants	104,954	0	104,954
Charges for services	475	0	475
Interest income	804	0	804
Other:			
Miscellaneous	7,196	0	7,196
Sale of cemetery lots	5,471	0	5,471
Special assessments	0	69,212	69,212
All other refunds	4,839	0	4,839
Transfer in	7,713	0	7,713
TOTAL REVENUES	<u>235,472</u>	<u>69,212</u>	<u>304,684</u>
EXPENDITURES			
Legislative	3,888	0	3,888
General government	135,778	0	135,778
Public safety	7,320	0	7,320
Public works	60,401	61,499	121,900
Community & economic development	1,561	0	1,561
Health & welfare	1,031	0	1,031
Culture & recreation	250	0	250
Other:			
Ecology club donation	150	0	150
Capital outlay	4,208	0	4,208
Transfer out	0	7,713	7,713
TOTAL EXPENDITURES	<u>214,587</u>	<u>69,212</u>	<u>283,799</u>
EXCESS OF REVENUES OVER (OVER) EXPENDITURES	20,885	0	20,885
Fund balance – beginning	<u>382,989</u>	<u>0</u>	<u>382,989</u>
Fund balance – ending	<u><u>\$ 403,874</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 403,874</u></u>

The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF ST. CHARLES
RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2013

Net change in fund balance – total governmental funds	\$ 20,885
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures, in the Statement of Activities these costs are allocated over their estimated useful life and reported as depreciation	(1,503)
	<hr/>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 19,382</u></u>

The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF ST. CHARLES
STATEMENT OF NET POSITION
FIDUCIARY FUND
June 30, 2013

	Tax Collection Fund
ASSETS	
Cash and cash equivalents	\$ 0
Total assets	0
LIABILITIES	
Due to other funds	0
Due to other governmental units	0
Total liabilities	0
NET POSITION	
Held in trust for other purposes	\$ 0

The Notes to Financial Statements are an integral part of this Statement.

TOWNSHIP OF ST. CHARLES
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
June 30, 2013

	Tax Collection Fund
ADDITIONS	
Property tax collections and fees	\$ 2,307,177
Special assessments	69,148
Interest earnings	96
	<hr/>
Total additions	2,376,421
	<hr/>
DEDUCTIONS	
Payments to general fund	97,668
Payments to refuse fund	69,212
Payments to other governmental units	2,209,541
	<hr/>
Total deductions	2,376,421
	<hr/>
Changes in net position	
Net position – beginning	<hr/> 0
Net position – ending	\$ <hr/> <hr/> 0

The Notes to Financial Statements are an integral part of this Statement.

TOWNSHIP OF ST. CHARLES
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of St. Charles (Township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township.

Reporting Entity

The Township is governed by an elected five member board of trustees (Board). The accompanying financial statements present the government, as the Township does not have any component units that are required to be presented, either discretely or blended and is not responsible for any jointly governed organizations, other than the Township has an agreement with a local fire department consisting of several local municipalities to render fire protection to its residents. One Township Board member is appointed to serve on the board of the fire department.

Government-Wide and Fund Financial Statements

The government-wide statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenue*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

TOWNSHIP OF ST. CHARLES
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus and the accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable – Current Property Taxes

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Real property taxes not collected as of March 1st are turned over Saginaw County, which advances the Township 100% for the delinquent taxes.

The 2012 taxable valuation (real and personal) of the Township totaled \$78,154,972, on which ad valorem taxes levied consisted of 1.0 mills for Township operating purposes. This amount is recognized in the General Fund as current tax revenue as well as administrative fees of \$21,938 to collect the taxes and applicable interest.

There is also a special assessment for trash pickup of \$69,148. Also, the Township collects a levy for fire of \$108,408 and library of \$57,476, of which are paid directly to the two governmental entities.

The Township reports the following major governmental funds:

The *General Fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

TOWNSHIP OF ST. CHARLES
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The Township reports the following major governmental funds (continued):

The *special revenue funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for particular purposes. These funds include the refuse fund.

The Township reports the following fiduciary funds:

The *current tax collection fund* is used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's utility function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenue* include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenue* rather than as program revenue. Likewise, general revenue includes all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use unrestricted sources first, then restricted resources as they are needed.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. The Townships certificates of deposits with a maturity of more than three months are investments and are stated at fair value.

TOWNSHIP OF ST. CHARLES
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Assets or Equity (Continued)

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “due to/from other funds”.

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets; which include property, plant and equipment are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Township has elected not to report its’ infrastructure assets which is in compliance with Governmental Accounting Standards Board Statement Number 34 as the Township is a “tier three” entity. All future infrastructure asset additions will be recorded and reported in the government wide financial statements.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building improvements	10 years
Machinery & equipment	5 years
Office furniture & equipment	5 years
Cemetery improvements & equipment	10 years
Sign	10 years

Fund Balance – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

TOWNSHIP OF ST. CHARLES
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE B – CASH AND INVESTMENTS

MCL 129.91 authorizes the Township to deposit and invest in the accounts of Federal insured banks. Credit unions, savings and loan associations; bond securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements, bankers' acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase, obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township has designated one bank for the deposit of Township funds. The investments policy adopted by the board in accordance with Public Act 20 of 1943, as amended, has authorized only a portion of the investments described in the preceding paragraph. The Township's deposits and investment policy are in accordance with statutory authority.

At year end, the Township's deposits and investments were reported on the basic financial statements in the following categories:

Bank deposits (demand and times deposits)	\$ 407,478
TOTAL (includes trust and agency funds)	<u>\$ 407,478</u>

The federal insured bank balance of the Township's deposits is \$407,478.

Items classified as investments on these financial statements consist solely of Certificates of Deposit with an original maturity date of more than 90 days from the date of acquisition. The investment totals are included in the deposit totals listed above. The Township did not have any Certificates of Deposit.

NOTE C – EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGET FUNDS

P.A. of 1978, section 18(1), as amended, provides that a local unit of government shall not incur expenditures in excess of the amounts appropriated in any of its budgetary funds.

Included in the "Required Supplemental Information" section of this report is a listing of revenues and expenditures for the budgetary funds. The schedules reflect the original budget, amended budget and actual amounts for each of the fund's activities. The cemetery expenditures were over budget, but only because of capital outlays categorized under capital outlay.

TOWNSHIP OF ST. CHARLES
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE D – CHANGES IN CAPITAL ASSETS

Capital asset activity for the Township for the year ended June 30, 2013 was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending</u>
Governmental Funds:				
Assets not depreciated				
Land & improvements	\$ 15,259	\$ 0	\$ 0	\$ 15,259
Assets depreciated:				
Buildings:				
Township hall	113,713	2,998	0	116,711
Building improvements	7,798	0	0	7,798
Office furniture & equipment	6,230	0	0	6,230
Cemetery improvements & equip.	5,996	1,210	0	7,206
Signs	1,365	0	0	1,365
Total at Historic Cost	<u>150,361</u>	<u>\$ 4,208</u>	<u>\$ 0</u>	<u>154,569</u>
Less Accumulated Depreciation for:				
Buildings:				
Township hall	(23,169)	\$ (3,030)	\$ 0	(26,199)
Building improvements	(2,612)	(930)	0	(3,542)
Office furniture & equipment	(3,271)	(773)	0	(4,044)
Cemetery improvements & equip.	(2,069)	(780)	0	(2,849)
Signs	(477)	(198)	0	(675)
Total Accumulated Depreciation	<u>(31,598)</u>	<u>\$ (5,711)</u>	<u>\$ 0</u>	<u>(37,309)</u>
Net Governmental Funds-Capital Assets	<u>\$ 118,763</u>			<u>\$ 117,260</u>

NOTE E – RISK MANAGEMENT

The Township of St. Charles is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township of St. Charles maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settlement claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE F – PENSION PLAN

The Township does not have a pension plan.

TOWNSHIP OF ST. CHARLES
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE G - INTERGOVERNMENTAL AGREEMENTS

The Township has an agreement with a local fire department consisting of several local municipalities to render fire protection to its residents. One of the township board members is appointed to serve on the board of the fire department.

REQUIRED
SUPPLEMENTAL
INFORMATION

TOWNSHIP OF ST. CHARLES
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Beginning Fund Balance	\$ 313,536	\$ 313,536	\$ 382,989	\$ 69,453
Resources (Inflows):				
Property taxes & related fees	105,000	105,000	97,668	(7,332)
Licenses & permits	3,707	3,707	6,352	2,645
State shared revenues and grants	84,000	84,000	104,954	20,954
Charges for services	500	500	475	(25)
Interest income	500	500	804	304
Other:				
Sale of cemetery lots	5,000	5,000	5,471	471
All other refunds	0	0	4,839	4,839
Miscellaneous	250	250	7,196	6,946
Transfer in	0	0	7,713	7,713
AMOUNTS AVAILABLE FOR APPROPRIATION	512,493	512,493	618,461	105,968
Charges to Appropriations(Outflows)				
Legislative				
Township board	5,650	5,650	3,888	1,762
General Government				
Supervisor	8,575	8,625	8,253	372
Treasurer	24,900	27,400	26,189	1,211
Assessor	20,000	20,000	19,578	422
Clerk	16,650	16,650	15,023	1,627
Elections	7,500	9,000	8,297	703
Township hall	8,700	8,900	8,623	277
All other general government:				
Cemetery	7,500	7,500	17,423	(9,923)
Board of review	1,650	1,650	1,077	573
Attorney	700	700	462	238
Accounting department	34,075	34,075	30,853	3,222
Public Safety:				
Building inspections	12,250	12,250	7,320	4,930
Public Works:				
Roads	100,000	100,000	55,382	44,618
Drain at large	5,000	5,050	5,019	31
Community Economic & Development:				
Planning commission	1,600	1,600	1,561	39
Health & Welfare:				
Health center	1,500	1,500	1,031	469

TOWNSHIP OF ST. CHARLES
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
(CONTINUED)
Year ended June 30, 2013

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Charges to Appropriations(Outflows)				
Culture & Recreation:				
Park contribution	250	250	250	0
Other:				
Capital outlay	34,600	34,600	4,208	30,392
Ecology club donation	150	150	150	0
TOTAL CHARGES TO APPROPRIATIONS	<u>291,250</u>	<u>295,550</u>	<u>214,587</u>	<u>80,963</u>
 BUDGETARY FUND BALANCE- ENDING	 <u>\$ 221,243</u>	 <u>\$ 216,943</u>	 <u>\$ 403,874</u>	 <u>\$ 186,931</u>

TOWNSHIP OF ST. CHARLES
BUDGETARY COMPARISON SCHEDULE
REFUSE FUND
Year ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Beginning Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0
Resources (Inflows):				
Special assessments	65,046	65,046	69,212	4,166
AMOUNTS AVAILABLE FOR APPROPRIATION	65,046	65,046	69,212	4,166
Charges to Appropriations(Outflows)				
Public works:				
Garbage pickup	65,046	65,046	61,499	3,547
Other:				
Transfer out	0	0	7,713	(7,713)
TOTAL CHARGES TO APPROPRIATIONS	65,046	65,046	69,212	(4,166)
BUDGETARY FUND BALANCE- ENDING	\$ 0	\$ 0	\$ 0	\$ 0

TOWNSHIP OF ST. CHARLES

AUDIT FINDINGS

Year ended June 30, 2013

2013-01 FINANCIAL REPORTING CYCLE

Condition/Criteria: The year-end financial reporting package as presented to the Members of the Board is not fully compliant with generally accepted accounting principles. The general ledger is not recording all accruals at year end.

Cause of Condition: Failure to record all accruals in the general ledger.

Effect: Because not all of the accruals are being recorded in the general ledger until after the audit, the financial statements are not compliant with generally accepted accounting principles.

Recommendation: Smaller organizations, due to limited resources, are generally more sensitive to the **cost of implementing** accrual accounting and often operate on the modified cash basis.

Management Response – Corrective Action Plan: Joseph Krawczyk, Clerk is the contact person responsible for the correction. The Township Board closely monitors financial activity, and the board will determine the **cost-effectiveness** of implementing accrual accounting on an annual basis. The anticipated date of completion is unknown.

2013-02 ASSIST IN PREPARING FINANCIAL STATEMENTS AND FOOTNOTES

Condition/Criteria: Statement on Auditing Standards #112 requires us to communicate in writing when a client requires assistance to prepare the financial statements and footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

Cause of Condition: The staff of the Township did not have adequate staffing to prepare all the information included in the annual financial statements.

Effect: We assisted management with the external financial reporting responsibility to ensure their financial statements are in accordance with generally accepted accounting principles.

Recommendation: We **do not recommend any changes** to this situation at this time and communicate this as required by professional standards.

Management Response – Corrective Action Plan: Joseph Krawczyk, Clerk is the contact person responsible for the correction. Management concurs with this recommendation. The anticipated date of completion is unknown.

TOWNSHIP OF ST. CHARLES
AUDIT FINDINGS (CONTINUED)
Year ended June 30, 2013

2013-03 SEGREGATION OF DUTIES

Condition/Criteria: Internal controls rely on the principle of checks and balances and an individual should not have responsibility for more than one of the three transaction components: authorization, custody, and recordkeeping. The Clerk and Treasurer have responsibility for more than one of the three components of internal control.

Cause of Condition: The size of the organization's accounting staff precludes certain internal design controls that would be preferred if the office staffs were large enough to provide optimum segregation of duties.

Effect: The lack of segregation of duties increases the chance that misstatements, whether caused by error or fraud, could occur and not be prevented or detected on a timely basis by employees in the course of performing their assigned duties.

Recommendation: Smaller organizations, due to limited resources, are generally more sensitive to the **cost of implementing** these design controls and often have compensating controls to partially mitigate this deficiency.

Management Responses – Corrective Action Plan: Joseph Krawczyk, Clerk is the contact person responsible for the correction. The Members of the Board closely monitor all payments and reviews the financial statements on a monthly basis. The anticipated date of completion is unknown.

Barry E. Gaudette, CPA, PC
731 S. Garfield Avenue
Traverse City, Michigan 49686

Members of the Township Board
Township of St. Charles
Saginaw County, Michigan

We have audited the financial statements of the governmental activities, each major fund, as well as each fiduciary fund type of St. Charles Township, Michigan for the year ended June 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 13, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by St. Charles Township, Michigan are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2013. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no major sensitive estimates affecting the Township's financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements noted during the audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 13, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Refuse Fund

The Township currently records the special assessments for trash collection in the General Fund. I recommend the Township establish a special revenue fund named the Refuse Fund to account for the collections and disbursements of trash monies collected from residents. A separate bank checking account would be established for this purpose. By doing this the Township will be able to account for any surplus or deficit for trash monies rather than having a transfer of these monies into the General Fund.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to my audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the St. Charles Township and is not intended to be, and should not be, used by anyone other than the Township Board.

Barry E. Gaudette, CPA, PC

August 13, 2013